

United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Utah State Office
P.O. Box 45155
Salt Lake City, UT 84145-0155
<http://www.blm.gov>



MAY 13 2009

IN REPLY REFER TO:

3480

U-07064-027821

U-07064-027821 mod

ML-48435

ML-50582

ML-42648

(UT-923)

Certified Mail -- Return Receipt Requested 7008 0150 0001 1073 3428

Mr. Erwin Sass
Canyon Fuel Company, LLC
Soldier/Dugout Canyon Mines
P. O. Box 1029
Wellington, Utah 84542

Re: Modification to the Resource Recovery and Protection Plan (R2P2) for Federal coal lease U-07064-027821, and Mine plan for State coal lease ML-48435, Dugout Canyon Mine

Conditional R2P2 Modification Approval w/ SITLA Concurrence

Dear Mr. Sass:

Background: On March 30, 2009, the Bureau of Land Management (BLM) received a request from Canyon Fuel Company (CFC) to modify the Resource Recovery and Protection Plan (R2P2) of the Dugout Canyon Mine to incorporate modifications to Federal lease U-07064-027821. This response to CFC's R2P2 modification request also addresses the proposed mine plan modifications for State coal located in the State lease ML 48435. CFC submitted information to update and supplement the existing R2P2, which has been modified since its original approval.

The proposed mine plan map indicates CFC's intentions to eliminate the Gil 9 longwall panel (in a "barrier-panel-barrier" longwall design) into Federal and State coal, located on the approved State and Federal leases and on the Federal lease modification area. The plan also shows panel shortening and inclusion of an inter-panel barrier in the Southeast District. Additional changes include the mining of three Gilson panels as well as a Rock Canyon seam panel addition. Included in CFC's modification request letter is a table reporting the remaining (unmined) recoverable coal tonnages on both the State and Federal lease areas. The approved MSHA ventilation map, a mine plan timing map, and a variety of other maps (including coal isopachs for both the Gilson and Rock Canyon Seams) were also included in the R2P2 modification submittal package.

Approval: The BLM has met with SITLA, and hereby conditionally approves CFC's proposed revisions to the R2P2/SITLA plan of operations, as submitted. The BLM and SITLA concur with

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CFC's revised plan for mining on these Federal and State coal leases, which is included in Enclosure 1 (Approved R2P2 Timing Maps (March 1, 2009). BLM is not approving any mining in the "proposed Federal lease modification" area.

Conditions of Approval: This R2P2 modification approval for the subject Federal and State leases is conditional on the submittal by the mine of the following to the BLM and SITLA:

1. Any correspondence with MSHA in regards to the barrier proposed between the Gil 10 and 11 panels.
2. Any new geologic data that may help interpret CFC's plans for future expansion.

Inspection: The mine was inspected on October 30, 2008 and March 19, 2009. Mining was proceeding toward the modification area as planned.

Surface Considerations: No additional surface considerations will be addressed since mine subsidence is expected to be negligible. This BLM determination is based on: (1) the depth of the mine workings to the surface in this area (1000 to 3000 feet), (2) the "barrier-panel-barrier" mining method employed, and (3) to a lesser degree, the relative uniformity of the overlying surface features throughout this area (no canyons or cliffs). (Maleki, 2006. *Prediction of Surface Deformation Resulting from Longwall Mining Over the Gilson North-East Block.*)

National Environmental Policy Act (NEPA): No new surface disturbance is predicted with this action, and therefore this action is Categorically Excluded (CX) from NEPA analysis under DM 516 chapter 11.5, paragraph F. (8): Approval of minor modifications to, or minor variances from, activities described in an approved underground or surface mine plan for leasable minerals. (e.g., change in mining sequence or timing.).

Recoverable Reserve Base: The adjusted recoverable reserve base for Federal lease U-07064-027821, U-07064-027821 Mod, and State leases ML-48435 and ML42648 is reported in the Table on Enclosure 2.

Maximum Economic Recovery (MER): Full extraction of recoverable coal reserves will enable MER of Federal (and State) coal to be achieved under the deep mining conditions present on the subject State and Federal leases.

This R2P2 modification complies with the Mineral Leasing Act of 1920, as amended, the regulations at CFR 3480, and the lease terms and conditions. A copy of the approved mine timing map is enclosed. If you need further information, feel free to contact Stan Perkes of the BLM staff at (801) 539-4036 or John Blake of SITLA at (801) 538-5152.

John Blake

John Blake
Trust Lands Specialist

Concurrence

/s/J D McKenzie

Jeff McKenzie
Acting Chief, Solid Mineral Branch

Enclosures:

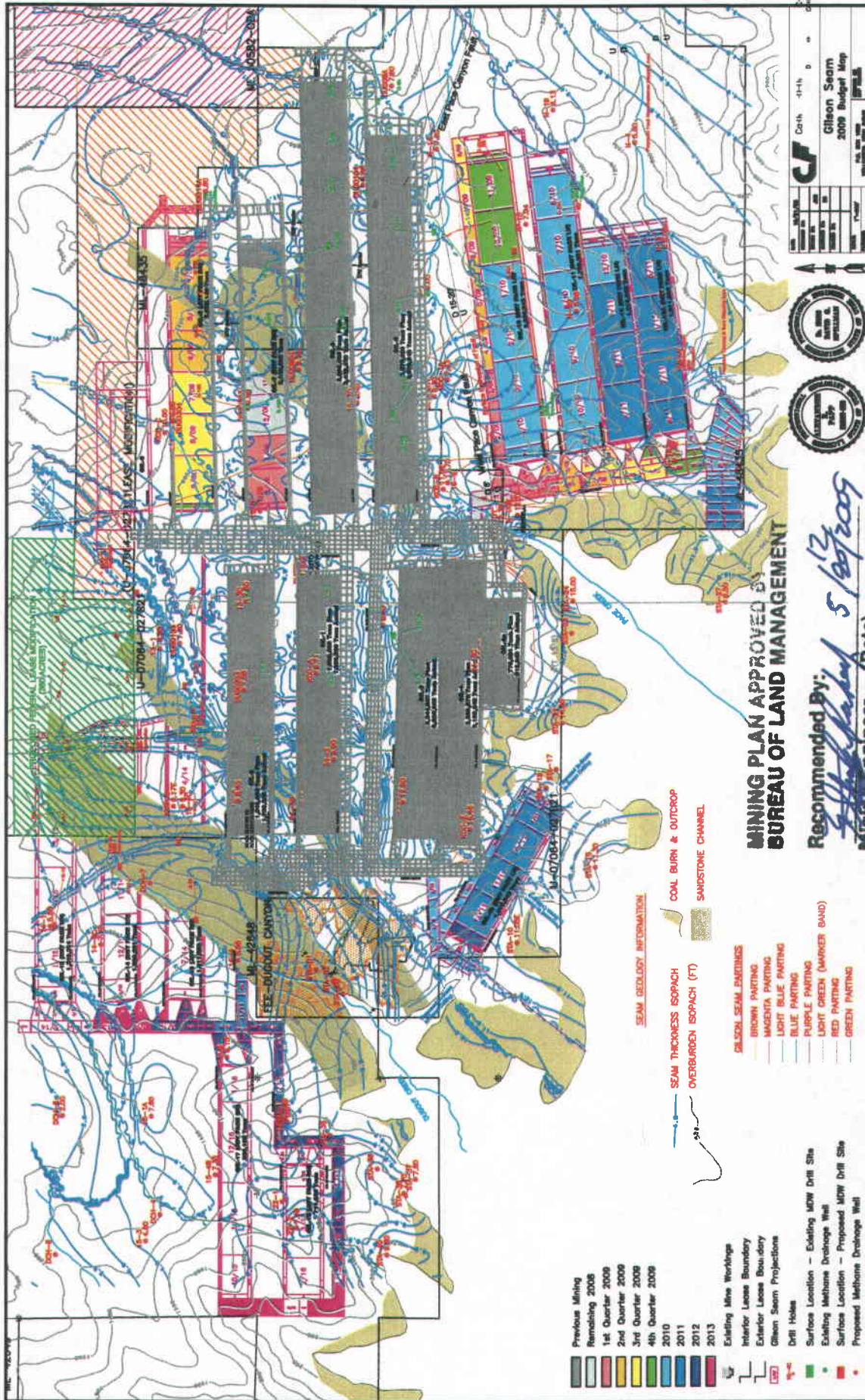
- 1) Approved R2P2 Timing Maps (January 1, 2009)
- 2) Recoverable Reserves and Diligence (January 1, 2009)

cc: BLM UT-070, Price UT (w/ both enclosures)

John Blake (w/ both enclosures)
School and Institutional Trust Lands Administration (SITLA)
675 East 500 South, Suite 500
Salt Lake City, Utah 84102-2818

Daron Haddock (w/ both enclosures)
Division of Oil Gas and Mining, State of Utah
1594 West North Temple Street, Suite 1210
Salt Lake City, Utah 84114-5801

DugoutR2P2Mod5-1-09JM-SA-04-24-09



From Letter of March 26, 2009 – Modification to the R2P2, Dugout Canyon Mine – Revised Mineable Reserves Table

Mine Plan Tonnage by Lease (as of 1-1-2009)

CONTROLLED LEASES										
	ML-48435		ML-42648		U-07064-027821		U-07064-027821 Mod		ML-505082	
	Gilson		Gilson	Rock Canyon	Gilson	Rock Canyon	Gilson	Rock Canyon	Gilson	All Seams
2009	2,373,818	0	0	0	1,633,885	0	33,879	0	0	4,041,562
2010	3,901,831	0	0	30,881	226,728	0	0	0	0	4,159,440
2011	2,348,940	112,812	195,380	1,126,344	264,485	0	0	0	0	4,047,961
2012	0	244,772	1,167,627	114,712	1,684,702	0	95,965	0	0	3,307,778
2013	0	466,800	1,386,382	174,635	88,880	0	23,448	0	0	2,140,145
2014	0	1,757,094	664,251	700,779	0	0	0	0	0	3,122,124
2015	0	1,977,032	1,014,696	0	0	0	0	0	0	2,991,728
2016	0	854,859	0	0	0	0	0	0	0	854,859
2017	0	0	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0	0	0
Total	8,624,589	5,413,369	4,459,217	3,977,083	2,038,067	33,879	119,413	0	0	24,665,617